

CENTRAL INTELLIGENCE AGENCY



DIRECTORATE OF INTELLIGENCE

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## Prospects for Organized Crime in Post-Castro Cuba: A Conference Report ☐

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#### A Conference Report

On Friday 14 June 2002, the DI's Office of Asian Pacific and Latin American Analysis (APLA), the DCI Crime and Narcotics Center (CNC), and the State Department's Bureau of Intelligence and Research jointly hosted a conference on the prospects for the emergence of organized crime in post-Castro Cuba. Approximately 75 academic experts, policymakers, and intelligence community analysts attended. The findings from the session will be factored into APLA and CNC research on corruption and organized crime in Cuba. ☐

☐ kicked off the proceedings with an overview of corruption as the foundation on which organized crime develops. ☐ noted that the decline of the US mafia in recent years could be attributed to the increased integrity and accountability of local officials. The mob, he said, had been cut off from a source of "controllable" public officials (including police). He also said that while corruption is the norm among nations—noting that only Northern Europe, Singapore, and North America lack systematic corruption—police professionalization, overlapping authorities among government organs at all levels, and transfer of power from local to federal authorities has helped reduce corruption. He added that corruption in Japan and Korea has been associated with slow growth.

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☐ continued with an assessment of the different types of corruption, characterizing it as an alternative mechanism for allocating public resources. He added that some types of corruption are more

harmful than others—high-level, systemic corruption is more problematic for societies than low-level individual corruption. [REDACTED]

[REDACTED] then defined organized crime, noting that researchers and law enforcement tend to look at the stability of organizations, their hierarchy, and areas of specialization to determine how much of a threat they pose to the state. To help conference participants understand the different attributes of criminal enterprises, [REDACTED] pointed to the various Colombian cocaine distributors:

- The Medellin Cartel was a clear example of organized criminal activity as it relied on systemic corruption and violence, threatened the state directly, and was involved in multiple activities.
- The Cali Cartel's activities were more specialized, making it a less clear-cut example of organized crime.
- Current mid-level distributors are even harder to define because they are highly specialized and operate anonymously. [REDACTED]

[REDACTED] concluded with a discussion of the role of organized crime in transitional states. It replaces the state in basic protective functions and flourishes in places where civil society is weak, there has been a heavy reliance on repression, and the state lacks moral authority. [REDACTED] noted that the structures of abusable authority and the strong control mechanisms that exist in planned economies offer incentives for corruption. He added that not all transition governments experience high and sustained corruption:

- Countries in which a strong civil society enabled a stable democracy to quickly take root—for example, the Czech Republic, Hungary, and Slovakia—avoided the emergence of debilitating organized crime.
- Corrosive corruption is a given in countries that are authoritarian, a weak dictatorship, or a weak democracy—such as Uzbekistan and Turkmenistan. [REDACTED]

After this introductory segment, a panel of three experts on the emergence of organized crime in the former Soviet Bloc looked at its prerequisites, forms, and functions in that part of the world. [REDACTED]

[REDACTED] reviewed key features of East European organized crime in the early post-Communist period to **establish indicators of possible emerging organized crime in post-Castro Cuba.** He pointed out that **ineffective law enforcement,**

**changing regulation of economic activity, incomplete reforms, and shifting social norms** caused crime rates to rise dramatically in Eastern Europe after communism collapsed.

Those higher crime rates accounted for increased corruption as well as increased organized crime, according to . He defined corruption—which he noted comes from the same root as rupture—as "breaking the rules of correct behavior," noting that it permeated post-Communist bureaucracies and appeared to have facilitated economic activity. He described two kinds of corruption—personal and organizational—noting that the difference is a matter of "stealing from the factory" vs. "stealing for the factory." He said the two types became intertwined in some part of post-Communist Europe.

Corruption becomes likely when a corruptible agent controls access to an economic opportunity but has no legitimate authority over it, and no accountability. He cited a formula for corruption: monopoly plus discretion minus accountability. He said these conditions were widespread in the Communist era and that transition exacerbates corruption in the short run but reduces it in the long run. To underscore that point,  characterized corruption during transitions as a "leaping dolphin"—reaching a height during the process that is not sustained throughout.  added that certain features of privatization—an increasing number of economic agents and asset transfers—also facilitate corruption by increasing government officials' control over economic opportunity.

The shadow economy also contributes to corruption because it is based on economic activity conducted away from public scrutiny. High taxes, burdensome regulations, and the prohibition of private economic activity all contribute to growth of the shadow economy. The shadow economy cultivates social norms that sanction lawbreaking. It promotes the growth of organized crime because it fosters production of illegal goods, protection rackets, and predation by criminals.

Factors that will impact the possible emergence of organized crime in post-Castro Cuba include:

- Whether a surge in crime accompanies transition.
- Level of government accountability.
- National norms concerning corruption.

- Partial liberalization of the economic system.
- Leadership attitudes to private economic activity, e.g., whether they protect it from predation by organized crime. [redacted]

[redacted] echoed [redacted] corruption equation (corruption=monopoly + discretion - accountability), and noted that **a weak rule of law, the absence of a free press, and the prevalence of a thug-like security apparatus are examples of current conditions in Cuba that will play into this formula.** He speculated that **organized crime and corruption would flourish in post-Castro Cuba for several reasons:**

- Cuba has a history of organized criminal activity.
- The current totalitarian/authoritarian government has allowed low-level criminal activity to flourish.
- Transnational criminal enterprises will be attracted to Cuba because of its location between the US and Latin America. [redacted]

While privatization will not be of the same scale as it was in the Former Soviet Union (FSU)—the largest asset transfer in history—[redacted] noted that **privatization in Cuba will present myriad opportunities for corruption and organized crime.** He observed that organized crime would flourish within the ex-communist bureaucracy and informal networks. He noted that, **if Cuba follows the pattern of the FSU, get-rich-quick schemes, debt repayment, state licensing scams, exchange rate manipulation and energy sales and distribution would serve as vehicles for organized crime and corruption.** He added that **low salaries, high-level regulation, and little-to-no law enforcement and penalties would serve as sources of corruption.** During a transition, according to [redacted] corruption and organized crime becomes more apparent because public awareness changes, censorship disappears, and the foreign media have greater access to the domestic political/economic/social situation. [redacted] then suggested that **quick deregulation and adoption of a comprehensive legal framework, adequate compensation for bureaucrats and law enforcement officials, and using fines and prosecution to deter bribery would help Cuba avoid some of the problems that plagued the FSU.**

[redacted]

[redacted]

[redacted] focused on the conditions under which the

Russian mafia emerged. He noted that two types of organized crime were prevalent during the transition—local and transnational—and saw the potential for a similar pattern in post-Castro Cuba. **He noted that Russian mobsters have settled in Miami, providing them a jumping off point to spread their activities to Cuba once the system opens up.** He also noted a **nexus between Russian mobster and Latin American crime groups**, noting that Cuba before Castro served as a hub for criminal activity and speculated that after Castro it would do so again. Like [REDACTED] He noted that the power of organized criminal groups comes directly from the dysfunction of the state. [REDACTED] then noted that, despite Castro's claims, the revolution did not eliminate organized crime it merely pushed it underground. He anticipated exiles and Latin American criminal organizations would seek haven in Cuba.

[REDACTED]

[REDACTED] spoke to lessons learned from US government experiences in dealing with corruption and organized crime during the Soviet Bloc transitions. [REDACTED] began his presentation by noting that in the Eastern European examples—and **in the case of Cuba—most power and authority derived from an individual's placement in the Communist party, the military, state factories or state farms.** During transition—which [REDACTED] cast as a "twilight zone"—new opportunities for corruption emerge and the structure of society after the transition was determined by how the transition unfolds. The Eastern European experience exposed several illicit sources of wealth: criminalized privatization, currency devaluation and triple digit inflation, drug trafficking, and import/export fraud. [REDACTED] then used the Russia model to underscore these points:

- Russia experienced criminalized governance in which communist kleptocrats played a major role.
- Organized criminal activity consisted of asset stripping, fraud and pyramid schemes, drug and arms trafficking, prostitution, and protection rackets.
- Dirty cops, ethnic gangs, and terrorist groups benefited. [REDACTED]

Winer then laid out a number of lessons that policymakers can take away from the Eastern Europe experience as they look to Cuba. First and foremost, according to [REDACTED] the civil service should not be dismantled as criminals will step in to fill any void created by such an exercise. Institution building is important as is tax collection. Resource extraction to

build up the economy is dangerous and collaboration on border security will be essential to thwarting transnational organized criminal groups from using Cuba as a hub. [REDACTED]

[REDACTED] recommended that the intelligence, law enforcement, and policymaking communities **begin now to look into institutional options** for responding to the emergence of organized crime in Cuba. He suggested that **before a transition the US government devote resources to building and interpreting crime data over time, pay explicit attention to cross border activity throughout the region involving Cubans, understand the extent of Cuban exile organized criminal activity in the United States, and understand the nexus between organized crime and terrorism.** [REDACTED] closed by noting that the US would benefit by "buying a stake in Cuba" now so that it can have some influence over such developments later. [REDACTED]

After the earlier presenters finished establishing a comparative baseline, [REDACTED] presented an assessment of the current state of corruption and organized crime in Cuba. He noted that **corruption has long roots in Cuban history**, dating to the colonial period, with rent seeking and election fraud the most prevalent forms before the revolution. From the 1980s to the present, corruption in Cuba has become more pervasive as economic conditions have made daily corruption widespread and necessary. As such, **Cubans have essentially been socialized in a context of corruption.** Notions of informality—*lo informal*—are prevalent in modern Cuba and the government is fighting a losing battle in trying to fight them through repression and moral campaigns. The result is **pervasive social indiscipline**, and the campaign to correct this phenomenon is creating a crisis of legitimacy for the Cuban government. [REDACTED] speculated that **the worst is yet to come:**

- "Social indiscipline" is aggravated by the lack of an independent judiciary, media, and nongovernmental organizations.
- "Reforms" have also exacerbated the problem by creating an infrastructure for corruption.
- Cuba's expansive informal networks—sociolismo to compensate for the failings of socialism—can easily translate into mafia-style organizations with the potential to cross into the exile community in the United States.



- The state creates organized criminal networks by maintaining the ration system and criminalizing activities that would be legal in more open societies.
- Cuba is running a risk of increasing corruption and criminality by placing military personnel in positions—such as involvement in the *Sociedades Anominas*--where they can be tempted by corruption. [REDACTED]

Drawing on his own work and the presentations of the other conference participants, [REDACTED] closed with a discussion of what to expect in post-Castro Cuba. He noted the **potential for transnational organizations to take over from local criminal networks and that criminal activity in the southeast United States will impact Cuba.** He speculated that an expected collapse of control structures in the post-Castro era would attract international criminals. [REDACTED] **cast Cuba as the United States' German Democratic Republic to rebuild noting that Cuba's emergence as a hub for transnational criminal activities—more likely in his view that as a source for Cuban criminal gangs looking outward—would quickly become a US problem.** [REDACTED] added that US officials would be well advised to look at how Chinese criminal organizations are pushing out the Yakuza in Japan to understand what is likely to happen in post-Castro Cuba. [REDACTED]

The incentives for criminals to conduct business in Cuba will be many, according to [REDACTED] including the ease of transit and proximity to the United States and a disorganized commercial sex market linked to tourism. [REDACTED] noted several major organizations would find Cuba an attractive hub:

- Proximity and a common language would prompt **Mexican drug cartels** to try to use Cuba as a transshipment point and money laundering haven.
- **Colombians** would find it natural to integrate Cuba back into the black market peso exchange system and southern Florida criminal economy.
- **Russian mobsters** would seek to reestablish casinos and take control of the sex industry.
- The **US mafia** would have an interest in Cuba for money laundering, a casino industry, internet gambling, prostitution, and as an emergent financial sector to be infiltrated.

- The **Sicilian** mafia would see Cuba as a potential offshore financial center.
- expected **anti-Castro organizations** in the US to move into criminal enterprises.

Indicators that Cuba is emerging as a transnational criminal zone would include:

- Real estate purchases, casino development, financial transfers, and unexplained wealth.
- Movements of key Cuban financial personnel to see if they are dealing with known or suspected criminals—individuals or syndicates. Travel of organized crime figures and/or meetings of organized criminal syndicates in Cuba.
- Turf wars in the sex trade.
- Increases in drug interdictions and changes in smuggling patterns.
- Increased links to other Caribbean hotspots.